

Humana Insurance Company of KY  
Part II – Preliminary Justification

**Scope and Range of Rate Increase**

The requested annualized rate increase for the Humana Insurance Company of KY small group major medical business for this legal entity effective 1/1/2017 is an average of 7.17%. The minimum annualized plan increase is -2.06% and the maximum annualized plan increase is 15.15%(a list of Plan Ids subject to review can be found below).

There are 30,875 covered individuals impacted by the rate increase. The individual group base rate increase will vary from the average increase due to changes in various characteristics, such as age, plan, and geographic location.

**Financial Experience**

For the experience period, the experience for groups on an ACA compliant plan has been provided below (the experience for groups on a transitional product has been excluded). The Company is proposing a rate action that is needed to maintain a target projected loss ratio.

	<b>Earned Premium</b>	<b>Incurred Claims</b>	<b>Loss Ratio</b>
<b>Experience Period</b>	125,264,566	110,371,792	88.1%

The impact of better than expected claims experience represents -0.87% of the 7.17% threshold increase.

**Changes in Medical Services and Costs**

Medical Service Changes – Represents the change in plan claim costs associated with the increase/decrease of service utilization, severity of services, and change in mix of services. The medical service change represents 0.61% of the 7.33% annual pricing trend increase.

Medical Cost Changes – Represents the change in plan claim costs due to changes in the unit cost of services, or changes in provider contracts. The medical cost change represents 6.72% of the 7.33% annual pricing trend increase.

Area Changes- Represents the impact of the area factor changes. The impact of the area factor change is 0.00%.

**Changes in Benefits**

Medical Benefit Changes Required by Law – Represents benefit changes mandated by either State or Federal Regulation. The additional benefits represent 0.19% of the filed increase.

Medical Benefit Changes Not Required by Law – Represents benefit changes that are not required by either State or Federal Regulation. There are no changes in additional benefits included in this filing and this change represents 0.00% of the filed increase.

Impact from the Updated Actuarial Value Calculator -This represents changes to plan design, mainly as a result of changes in the Actuarial Value Calculator and 2017 Final Notice of Benefit and Payment Parameters. The product portfolio has been modified to realign with the update Actuarial Value Calculator. The impact of these cost sharing benefit changes across the entire product portfolio is 0.54%.

**Administrative Costs and Anticipated Profits**

Changes to Administrative Costs – Represents the change related to the cost of providing insurance. Examples include claims payment expenses, employee salaries and benefits, agent commissions, taxes, rent and overhead. This impact represents 0.0% of the average filed increase.

Other Changes Required by Law - Represents changes mandated by either State or Federal Regulation that are not related to benefits. There are no impacts to premium due to these changes in this filing which represents 0% of the filed increase.

**Plan Ids Subject to Review**

15411KY131  
15411KY134  
15411KY135  
15411KY147